



17 MAY 1979

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MEMORANDUM FOR: Chief, Management Support Staff, OLC

VIA: Deputy Director for Administration
Director of Logistics
Director of Security

FROM: [redacted]
Chief, Supply Division, OL

SUBJECT: Testimony by the Director of Logistics
Before the Senate Government Affairs
Subcommittee on Federal Spending
Practices and Open Government

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1. As agreed in our meeting with Mr. Roman of the Subcommittee on Federal Spending Practices and Open Government on 7 May, we have attached an "opening statement" to be given by the Director of Logistics in his testimony before that subcommittee on 13 June 1979. This statement summarizes our disagreement with the General Services Administration (GSA) concerning the acquisition of security filing cabinets (safes) for use by this Agency both domestically and abroad. We believe this statement provides a more complete and balanced statement of the facts than that which is contained in the draft questions and answers originally suggested by Mr. Roman.

2. During the meeting Mr. Roman asked that we also provide information on the extent to which we procured safes directly from safe manufacturers other than Art Metal, the differences in prices of safes so procured, and any other dealings we have had with Art Metal. Regarding the first question, since 1971 we have procured 3,592 safes from other manufacturers both under Federal Supply Service contract and directly, most frequently when the safes had to be modified to meet unique Agency requirements. The acquisition prices were those shown on the schedule or, in the case of unique requirements, the best negotiated price possible. In those few instances where nonunique

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requirements were negotiated directly with the manufacturer, the prices did not exceed GSA schedule prices. Finally, regarding other dealings with Art Metal, we have procured furniture from them under schedule, but the scope has been very modest because we generally procure from other manufacturers who are also on schedule. We are unaware of any major problems with Art Metal furniture so procured.

3. Please advise if we need provide additional information. As you suggested, we will leave to you coordination with the Office of General Counsel, Public Affairs, Office of the Inspector General, and the DCI. We would also suggest a meeting between you and personnel of our Supply and Procurement Divisions if you wish more detail on the issues discussed in paragraph 2 above.

4. As discussed after our last meeting with the subcommittee staff members, we have strong reservations about appearing in an open hearing. It would appear that the sole intent is to embarrass GSA and generate publicity out of an appearance by CIA officers. The Director of Logistics believes this issue should be discussed in the coordination process described above.

ST



Att

cc: DDA (w/att)
D/Sec (w/att)
D/L (w/att)

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OPENING STATEMENT BY D/L BEFORE SUBCOMMITTEE
ON FEDERAL SPENDING PRACTICES AND OPEN GOVERNMENT

13 June 1979

1. Notwithstanding the many instances of truly outstanding and professional support provided to the Agency by the Federal Supply Service (FSS) of the General Services Administration (GSA), there has been one area of long-standing and serious disagreement regarding the products and services provided. Specifically, this disagreement concerns the acquisition of security filing cabinets (safes) for use by this Agency both domestically and abroad. GSA has contended, since early 1964 and until recently, that safes provided by the Hillside (now Art Metal) Company generally comply with appropriate Federal specifications while this Agency and several other agencies have maintained that such safes rarely conform to requirements of the appropriate specifications. GSA has further maintained, since the mid-1960's, that a single-award contract should be established for such safes, while this Agency, the Interagency Advisory Committee on Security Equipment, and several other agencies have maintained that it is not in the best interests of the Federal Government to make a single-award contract. Art Metal was frequently mentioned by GSA officials as the probable or actual recipient of such an award. Our experience with GSA in these areas is summarized in this statement. Correspondence between this Agency and GSA, test reports, minutes of interagency meetings, and other documentation supporting the statements contained herein have been made available to subcommittee staff members.

2. The first area of concern is the conformance of Art Metal's safes with Federal Specifications AA-F-358e and precedent and subsequent version thereof. The concern is for both the safety of individuals using this equipment and the capability of this equipment to provide secure storage for classified documents. Agency records indicate that as early as 1964 a number of Art Metal safes were provided by GSA and were totally rejected as failing to meet

applicable specifications. Records indicating the number of safes provided and the specific areas in which they failed to conform to the specifications have not been located. However, in September of 1969 an additional 130 Art Metal Class 6 safes were provided by GSA. Independent examinations of these safes by Agency inspectors, inspectors of GSA, and Department of Defense (DoD) inspectors, all clearly showed that the safes failed to meet personal safety and security specifications. Documentation from this period clearly indicates an inability on the part of GSA to have the deficiencies corrected by Art Metal and also suggests that informal pressure was applied by GSA to have the Agency accept the safes without insisting that all provisions of the specifications be met. As a result of these pressures, the Agency ultimately accepted the safes with only some corrections to deficiencies having been made. In November of that same year another 60 Hillside Class 5 safes were received by the Agency, and our experience with the correction of defects and GSA pressures to accept the safes was basically a repeat of that described above. As a result of these experiences, the Agency took steps to ensure that the safes of other manufacturers were procured for use by the Agency. This act in itself generated additional pressure from GSA to accept Art Metal safes; and, in response thereto, in 1975 the Agency ordered several additional Hillside safes for evaluation. These safes, too, failed to meet Federal specifications; and since that date, no further Art Metal safes have been accepted for use by this Agency. Those safes which were accepted by the Agency in earlier years were restricted in use to domestic installations only, where the level of security protection is considerably higher than that normally provided outside the United States.

3. The second area of disagreement with GSA concerned GSA's proposed designation of a single-award contractor for all safes. GSA made strenuous efforts in this direction in 1965 and again in 1974, with somewhat less pressure being applied along these lines in intervening years. The objection of this and other agencies, as well as the Interagency Advisory Committee on Security Equipment, to such a move was based on the following considerations:

a. That multiple-award contracts create maximum competition between the few major safe manufacturers whose products are sold primarily to the Government and afford flexibility to purchase the product of another manufacturer should the product of one manufacturer be found deficient or be found to have been compromised.

b. That should fire, flood, or other acts of God affect the single-award contractor, it was unlikely that other sources would be available since those companies who did not get the award would, in all probability, cease the manufacture of such safes, the Government being the chief buyer.

c. Agencies such as our own, DoD, and the Department of State have to provide safe maintenance and repair service on a worldwide basis and for that reason it is imperative that spare parts and technical assistance be readily available. Art Metal, frequently suggested as the single-award contractor, had never demonstrated that they had such a capability.

d. Personal safety of our employees and the security of classified information were of the utmost importance and the contractor consistently suggested as the single-award contractor, i.e., Art Metal, rarely met the required Federal specifications in these areas.

4. Finally, it has been the practice of CIA to utilize the Federal Supply Schedule contracts for acquisition of safe filing cabinets whenever the listed vendors' safes had been approved by our Office of Security. In certain instances, it has been necessary for us to go off schedule and negotiate contracts directly with vendors of approved safes. These latter procurements generally involved modifications to the safes to meet unique Agency requirements.

5. I would be pleased to answer any further questions you may have.